

Lesson 12.1 Business-To-Business Exchanges

LESSON QUIZ

Directions: For each of the following statements, if the statement is true, write a T on the answer line; if the statement is false, write an F on the answer line.

- T 1. The various types of products and services bought and sold by businesses can be organized within the business product classification system.
- F 2. A producer or manufacturer must purchase everything it needs to develop the products it sells.
- T 3. Poor purchasing decisions can affect both customer satisfaction with a business's products and the profitability of the business.
- T 4. While there are differences between business consumers and final consumers, the marketing process used for each group is not different.
- F 5. There are more producers in the United States than the total number of resellers and service businesses combined.
- T 6. The total purchases made by the U.S. government make it the largest single customer in the world.
- T 7. Part of the U.S. military operates like wholesalers and retailers when it purchases products for distribution and resale to military personnel and their families.
- T 8. Having fewer customers means it should be easier to maintain contact with the business customers and understand their needs.

Directions: For each of the following items, decide which choice best completes the statement. Write the letter that identifies your choice on the answer line.

- D 9. To market products to businesses, a supplier must
 - A. identify the target market
 - B. determine the characteristics and needs of the target market
 - C. develop a marketing mix
 - D. all of the above
- B 10. Businesses that purchase products for resale are
 - A. producers
 - B. wholesale and retail businesses
 - C. producers and retailers
 - D. wholesalers and producers
- C 11. Which of the following is *not* a characteristic of business markets?
 - A. a business's demand is derived from the demand of its customers
 - B. business customers generally purchase in larger quantities than final consumers
 - C. businesses that resell similar products usually have quite different purchase needs
 - D. the number of business customers for specific products is usually smaller than the number of final consumers who will purchase a product

Activity 1 • Classifying Business Purchasers and Purchases

Directions: Use a business directory, the Internet, or your own experience. Identify a business in your community that fits each of the categories of business purchasers. Then for each business, identify one product they might purchase that fits each of the business purchase classifications.

Answers will vary.

Category	Business	Purchase Classification	Product Purchased by the Business
Producer		capital goods	
		operating equipment	
		raw materials	
		component parts	
		services	
Reseller—Wholesaler		capital goods	
		operating equipment	
		raw materials	
		component parts	
		services	
Reseller—Retailer		capital goods	
		operating equipment	
		raw materials	
		component parts	
		services	
Service		capital goods	
		operating equipment	
		raw materials	
		component parts	
		services	
Government Agency		capital goods	
		operating equipment	
		raw materials	
		component parts	
		services	
Nonprofit Organization		capital goods	
		operating equipment	
		raw materials	
		component parts	
		services	

Lesson 12.2 Making Business Purchase Decisions

LESSON QUIZ

Directions: For each of the following statements, if the statement is true, write a T on the answer line; if the statement is false, write an F on the answer line.

- T 1. In business purchasing, the decision to buy is based on an identified business need.
- T 2. Rather than buying a needed product or service, a business may decide to make it with its own resources.
- F 3. The easiest type of purchase decision is when a business purchases a product for the first time.
- T 4. In the case of a modified purchase, companies other than the original supplier may be given the chance to supply the modified product.
- T 5. A purchasing process may become so routine that it is handled by a computer.
- T 6. When the product being purchased is not unique, with many companies offering the same product for sale, repeat purchasing becomes very competitive.
- F 7. The purchasing process ends when the order is placed.
- T 8. Reciprocal trading is a form of bartering in which the products or services of one company are used as payment for the products or services of another company.

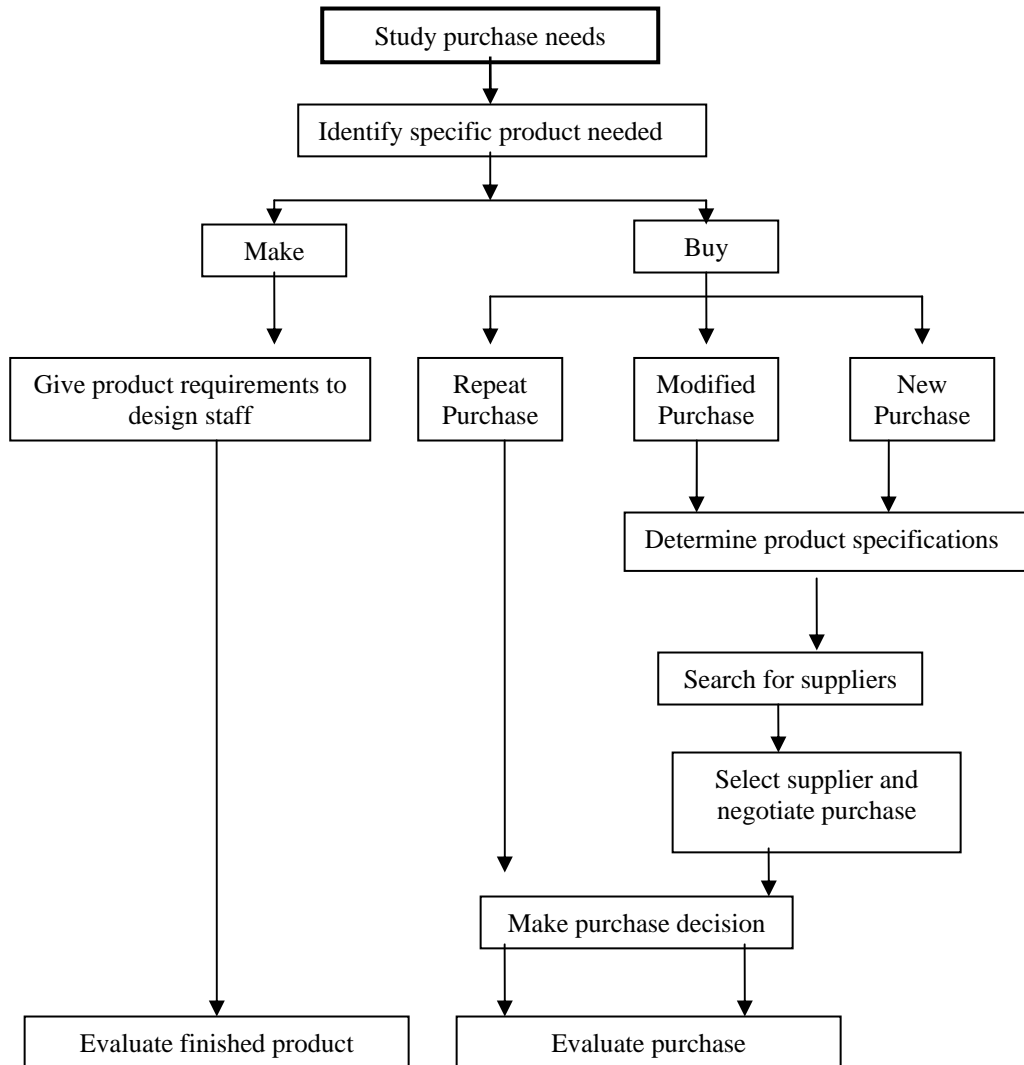
Directions: For each of the following items, decide which choice best completes the statement. Write the letter that identifies your choice on the answer line.

- B 9. The product or service a business purchases will be the one that
 - A. has the highest quality
 - B. meets the need at a reasonable price
 - C. has the lowest price
 - D. can be resold to customers
- D 10. A business making a new purchase must
 - A. determine what needs it must meet with the purchase
 - B. decide upon the types of products that can meet its needs
 - C. identify the companies that offer the needed products
 - D. all of the above
- C 11. Which of the following applies to international purchasing?
 - A. businesses should purchase from other businesses in their home country even when participating in international trade
 - B. it is usually very easy to negotiate prices between two different countries
 - C. businesses should use a bank that has established relationships with financial institutions in other countries
 - D. the time needed for transporting products to other countries is always longer than domestic shipments

Activity 1 • Diagram a Buying Decision

Directions: Assume you are a buyer for a large manufacturer. Develop a flow chart integrating the three types of buying decisions and the steps involved in making business purchases as described in your textbook. A flow chart is a pictorial description of information flowing along a chain of decisions. List each decision in the sequence in which it is made and the possible results. One type of decision is shown as an example.

Answers will vary. Students should outline procedures for a repeat purchase, modified purchase, and new purchase.



Lesson 12.3 Business Purchasing Procedures

LESSON QUIZ

Directions: For each of the following statements, if the statement is true, write a T on the answer line; if the statement is false, write an F on the answer line.

- F 1. The purchasing process followed by a business is usually simpler and more streamlined than the purchasing process followed by an individual consumer.
- T 2. The needs of different parts of a business may conflict with each other.
- T 3. Before identifying possible suppliers, a business develops product specifications to clearly describe the product a business needs.
- F 4. Companies that offer products and services for sale to other businesses are known as resellers.
- F 5. Companies should always select the vendor that offers the highest-quality product.
- T 6. When several people are involved in the purchase decision in a business, it may involve conflict and politics.
- T 7. There is more to effective purchasing than just the cost of the product.
- F 8. The members of a supply chain seldom cooperate and share information since they are competing with each other.

Directions: For each of the following items, decide which choice best completes the statement. Write the letter that identifies your choice on the answer line.

- B 9. An objective rating system used by buyers to compare potential suppliers on important purchasing criteria is a
 - A. supplier rating
 - B. vendor analysis
 - C. total quality management
 - D. buyer's scale of need
- A 10. A company that develops a relationship with its suppliers which enables it to keep inventory levels low and to resupply inventory when it is needed is using which of the following types of supply chain management?
 - A. just-in-time supply
 - B. total quality management
 - C. new product purchasing
 - D. supply chain planning
- C 11. Two types of inventory systems used in businesses are
 - A. input and output
 - B. annual and continuous
 - C. physical and perpetual
 - D. wholesale and retail

Activity 1 • Functional Relationships

Directions: Purchasing is one of the nine marketing functions that is essential for the profitable operation of a business. Using the list provided, indicate how purchasing benefits or relates to each of the remaining functions. The first answer is provided.

Marketing Function	Benefit or Relationship to Purchasing
Market Planning	As new markets and marketing mixes are identified, businesses determine their purchasing needs to develop and market the new products and services.
Product and Service Management	<i>Purchasing is needed to obtain needed resources for production such as raw materials and component parts or the appropriate products for resale.</i>
Pricing	<i>Purchasing must be done carefully since prices charged to customers are affected by the cost of purchases.</i>
Promotion	<i>The promotional activities of other businesses are one source of information used to identify sources of supplies to be purchased.</i>
Selling	<i>Purchasing personnel gather information from salespeople to determine customer needs and to determine anticipated sales and inventory requirements.</i>
Distribution	<i>Companies must determine distribution requirements and responsibilities for purchases.</i>
Marketing-Information Management	<i>MkIS maintains information on inventory levels, sales, vendors, and other inventory needed to plan purchases.</i>
Financing	<i>Most business purchases will be completed on credit or require other types of financing alternatives.</i>
Risk Management	<i>Risks are a part of purchasing procedures, and decisions need to be made regarding how to manage risks and who will be responsible for addressing various risks.</i>

Lesson 12.4 Retail Purchasing

LESSON QUIZ

Directions: For each of the following statements, if the statement is true, write a T on the answer line; if the statement is false, write an F on the answer line.

- T 1. Market conditions for products sold by retailers change very rapidly.
- T 2. Computer technology helps retailers track the sales of current products to determine which products sell rapidly and which do not.
- F 3. The merchandise plan lists the vendors and the invoices a retailer uses when ordering merchandise for resale.
- F 4. A model stock list identifies the minimum amount of important products the store needs to have available to meet the needs of its target market.
- T 5. Retailers purchase items from both manufacturers and wholesalers.
- F 6. Because there are so many large retailers, vendors no longer have salespeople make personal visits to retail buyers.
- T 7. Large financial losses can occur in businesses that do not have effective procedures for receiving, unpacking, inspecting, and preparing products for sale.

Directions: For each of the following items, decide which choice best completes the statement. Write the letter that identifies your choice on the answer line.

- B 8. Merchandise catalogs and vendor web sites are particularly useful for which types of retail purchasing?
 - A. standardized products sold primarily on the basis of price and availability
 - B. purchases by small businesses who cannot afford to attend trade shows and purchase in small quantities
 - C. routine purchases of regular customers
 - D. all of the above
- C 9. A retailer's basic stock list
 - A. is reordered infrequently
 - B. identifies the complete assortment of products a store would like to offer its customers
 - C. will not change much over time
 - D. is more extensive than the model stock list
- A 10. Which of the following is *not* true about retail purchasing decisions?
 - A. for fast-selling or perishable products, the most important factor for a vendor is offering a low price
 - B. retailers may not be certain of the total inventory that can be sold for fashions or seasonal products so will want a vendor that can quickly provide additional quantities
 - C. the timing of orders to be sure adequate inventory is available when needed is a difficult decision
 - D. all are true

Activity 1 • Totaling Totes

Directions: Sue owns a craft store. She needs to reorder tote bags for the fall season. The vendor prices are shown in the following table.

	Case (4 dozen)	Dozen	Unit
Canvas tote:			
Natural	\$ 98.40	\$25.08	\$2.15
Black, green, navy, red	110.40	28.20	2.41
Nylon fanny pack	122.88	31.44	2.69
Jumbo tote	164.64	42.24	3.60
Zipper tote	159.85	40.92	3.49
Deluxe tote (natural)	153.12	39.25	3.35

Last year, Sue carried only the canvas tote and the deluxe tote. She sold 10 dozen natural canvas totes and 8 $\frac{3}{4}$ dozen natural deluxe totes. Although she does not do any formal market research, Sue has the following information:

- Sales are up 5 percent from last year.
- This year she has scheduled five craft classes with 12 students per class. Each student will have to purchase a natural canvas tote.

Answer the following questions:

1. How many natural canvas totes does Sue need to order to cover the expected increase in business and the scheduled classes? What is the cost of this order?
186 canvas totes; cost = \$383.34
2. How many natural deluxe totes does she need to order to cover her anticipated sales? What is the cost of this order?
111 totes; cost = \$355.54
3. What is the total cost for purchasing the natural canvas totes and natural deluxe totes?
\$738.88
4. In addition to the natural totes, Sue also placed the following order. What is the total cost for this order?

Item	Cost
2 doz. nylon fanny packs	\$ 62.88
2 doz. zipper totes	81.84
1 doz. navy canvas totes	28.20
1 doz. black canvas totes	28.20
4 doz. red canvas totes	110.40
4 doz. green canvas totes	110.40
2 doz. jumbo totes	<u>84.48</u>
Total cost	<u>\$506.40</u>